THE PERFORMANCE OF BANK ISLAM MALAYSIA BERHAD IN HISTORICAL PERSPECTIVE

A Master Project submitted to the Graduate School in partial fulfillment
of the requirement for the degree
Master of Science (Management)
UNIVERSITI UTARA MALAYSIA

By
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ABSTRAK

Penubuhan Bank Islam Malaysia Berhad pada tahun 1983 telah memberi satu semangat baru kepada sistem kewangan di negara ini. Golongan Islam secara majoritinya mengharapkan sesuatu daripada perlaksanaan bank ini. Mereka berharap bank Islam perlu memainkan peranan bukan sahaja untuk mendapatkan keuntungan, tetapi juga peranannya untuk berbakti kepada ummah khasnya dan kepada negara amnya.

Kajian ini adalah satu kajian analitikal tentang prestasi bank Islam ini sejak dari mula ianya ditubuhkan. Fokus utama kajian ini ialah kepada pengurusan aset dan liabiliti yang telah dilaksanakan selama masa kajian tersebut. Bank ini didapati telah menunjukkan prestasi yang baik sebagai sebuah institusi Islam yang hidup bersaing di dalam sistem kewangan moden. Bank Islam ini telah berkembang maju walaupun terpaksa menghadapi berbagai bentuk keadaan ekonomi, terutamanya kegawatan ekonomi akhir-akhir ini.

Namun begitu, untuk terus maju dan bersaing dengan bank-bank konvensional, bank Islam perlu terus memberi prestasi baik yang

menyakinkan dengan norma-norma akauntabiliti Islam yang kukuh. Bank Islam perlu dapat meyakinkan orang ramai bahawa sistem perbankan Islam adalah yang terbaik dan paling praktikal sebagai satu sistem alternatif kepada sistem kewangan yang sedia ada.

ABSTRACT

Establishment of Bank Islam Malaysia Berhad in the country in 1983 was a great booster to the Islamic financial system. To the Muslims in majority, a lot of things were expected from the operation of the bank. They hope to see that the Islamic bank should play its roles, not only to run a banking business for profits, but also to serve the Muslims in particular, the nation at large, in Islamic ways.

This study provides an analytical review on the performance of the bank right from its inception until June **1998.** The main focus of the study is placed on the management of assets and liabilities of the bank over the years. It is observed that the bank has performed creditably well as an Islamic institution within the competitive framework of the Malaysian modern financial system, which is based on conventional norms. Despite the variability of economic situations, especially the economic turmoil of the late, the Bank Islam has been able to sustain and grow.

Nevertheless, to survive, and to compete with the existing and more established conventional banks, Bank Islam has to show good and convincing performance with its Islamic accountability norms. The bank

should win people's trust and prove that Islamic banking system is indeed the best and most practical as an alternative financial system.

ACKNOWLEDGEMENT

Praise to Allah, for the blessing through this life, especially for giving me the courage and strength to complete this thesis. To complete this thesis, I have achieved the feeling of happiness and great satisfaction. I could not have completed it without the support, commitment, and sacrifices of my supervisor, my beloved family, my colleagues, and friends. To them, I would like to express my gratitude and my appreciation goes especially to :

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5. Institute Aminuddin Baki
6. My beloved wife, Halimah, who has been very supportive and encouraging.

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8. All members of Cohort 8 and friends who have contributed directly or indirectly to this research.

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CHAPTER 1

BACKGROUND AND CONTEXT OF PROBLEM

1.1 INTRODUCTION

When modern banking system was first introduced in Muslim countries in the late 19^{th} century by the imperial powers, its function was mainly to cater to import-export requirements of the foreign business. Not many of local Muslim communities were involved in banking activities. The banks were generally confined to the capital cities and the local population largely remained untouched by the banking system.

However, with the passage of time, and the expansion of economic and financial activities, it was impossible to avoid one's business relations with the banks. This led to the establishment of many local banks to cater to the needs of ever expanding and complex business activities. Governments, businesses and individuals began to transact business with the banks, with or without liking it. Muslim community has realised that the banking system that has been introduced was interest-based which is

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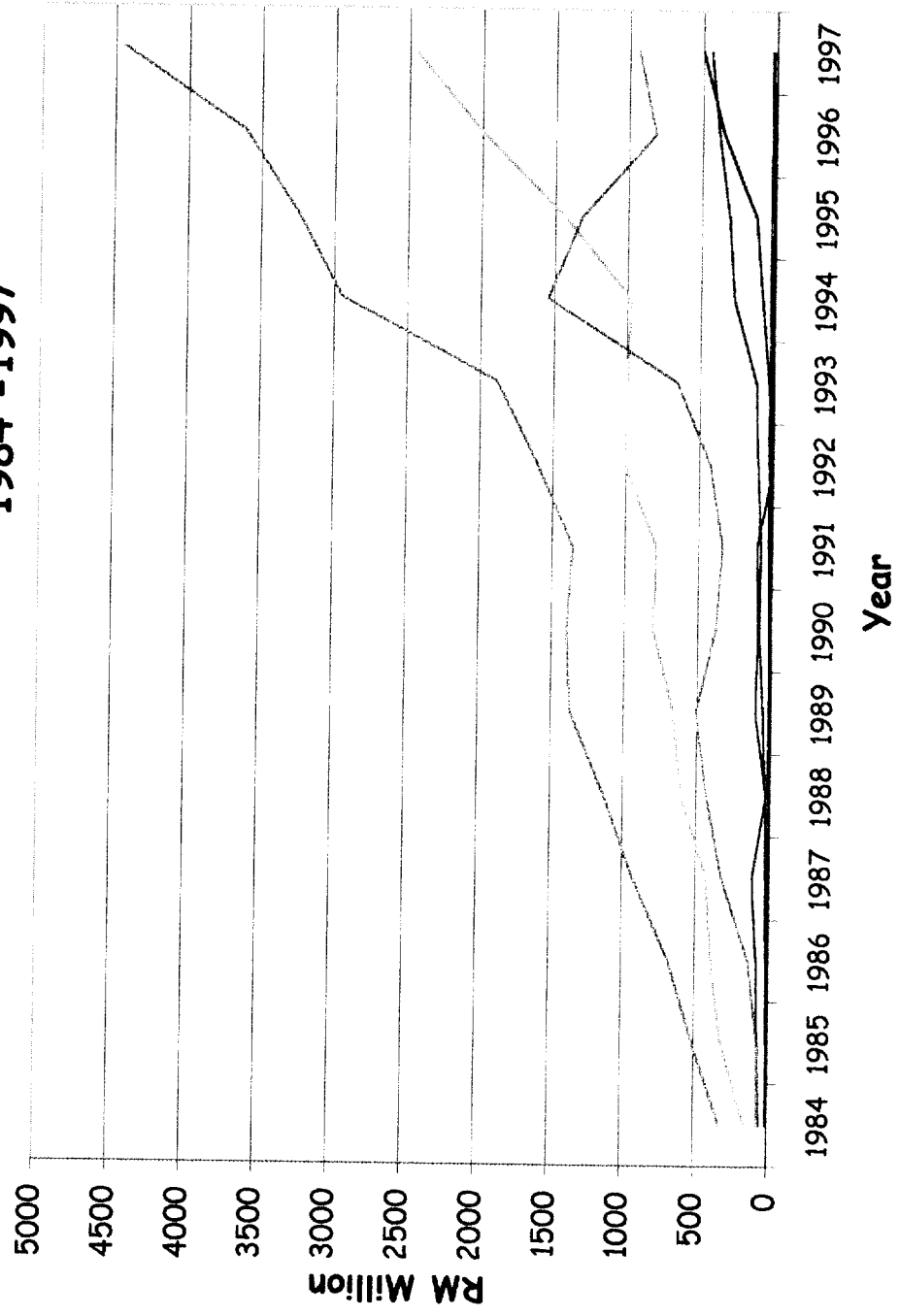
Appendix A1: Trend of Total Liabilities of BIMB 1984 -1997

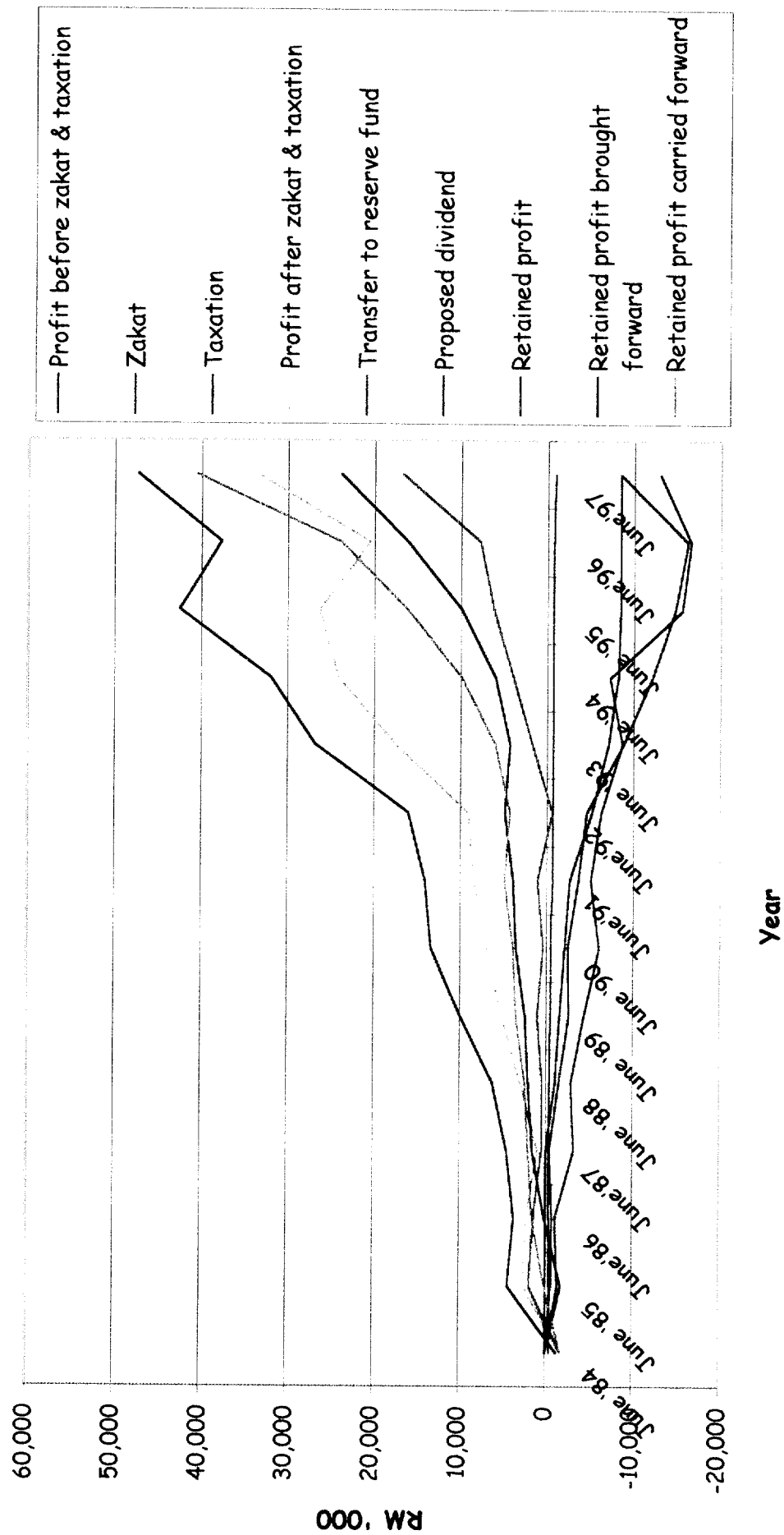
Appendix A2: Trend of Total Assets of BIMB 1984 -1997

Appendix A3: Trend of Profit and Loss Account
1984 -1997

RM '000

60,000
50,000
40,000
30,000
20,000
10,000
0
-10,000
-20,000

June '84 June '85 June'86 June'87 June '88 June '89 June '90 June'91 June'92 June '93 June '94 June '95 June'96 June'97

Year

Profit before zakat & taxation
Zakat
Taxation
Profit after zakat & taxation
Transfer to reserve fund
Proposed dividend
Retained profit
Retained profit brought forward
Retained profit carried forward

Appendix B: Syndication of Bank Islam Malaysia Berhad

Bank Islam Malaysia berhad has successfully syndicated various financing packages in various capacities as revealed in its Corporate Financing portfolio as follows:

- Joint Lead Manager to Al-Musharakah Financing with participating Certificate Issuance Facility of RM 600 million for Sarawak Shell Berhad.
- Lead Manager to the Al-Bai Bithaman Ajil Financing with Notes Issuance Facility of RM 125 million for Shell MDS (Malaysia) Sdn. Bhd.
- Arranger to RM 2.2 billion Syndicated Al-Bai Bithaman Ajil Financing with Notes Issuance Facility for K.L. International Airport Berhad for the 1996 financial requirement.
- Joint-arranger to 2.2 billion Syndicated Al-Bai Bithaman Ajil with Notes Issuance Facility for K.L. International Airport Berhad for the 1997 requirement.

- Lead Manager to the Issuance of Islamic Debt Securities of Petronas Gas Berhad amounting to RM 800 million.
- Co-manager to the Issuance of RM 300 million Islamic Debt Securities for Petronas Dagangan Berhad.
- Co-manager to Syndicated Al-Bai Bithaman Ajil RM 200 million for Lebuhraya Shapadu Sdn Bhn.
- Co-manager to Syndicated Al-Bai Bithaman Ajil of Rm 160 million for Miri Port Authority.
- Manager to RM 65 million Syndicated Al-Bai Bithaman Ajil Facility for Chase Perdana Berhad.
- Arranger to RM 45 million Syndicated Al-Bai Bithaman Ajil Facility for Shell MDS (Malaysia) Sdn. Bhd.
- Co-arranger and Shariah Advisor to RM 1.0 billion Istisna'/Ijarah Project Financing Facilities for Projek Usahasama Transit Ringan Automatik Sdn. Bhd. ("PUTRA").

APPENDIX C

BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS
OF
BANK ISLAM MALAYSIA BERHAD

Balance Sheet As At 30th June, 1985

	Notes	The Bank 1985 $	The Bank 1984 $	The Group 1985 $
ASSETS				
Cash and balances with banks and agents		8,873,607	8,671,573	8,873,782
Stock of commodities		75,009,811	59,995,178	75,009,811
Financing and investment of customers	2	321,971,586	161,111,062	321,971,586
Bills receivable		323,880	1,134,865	323,880
Other assets		4,357,951	1,553,541	4,615,366
Statutory deposit with Bank Negara Malaysia		15,727,000	11,610,000	15,727,000
Investments	3	71,719,128	73,237,170	71,802,035
Investments in subsidiaries	4	6,125,000	–	–
Due from subsidiaries		8,073,732	–	–
Fixed assets	5	1,760,607	7,563,975	9,268,905
Intangible assets	6	290,924	655,638	585,370
TOTAL ASSETS BEFORE CONTRA ITEMS		514,233,226	325,533,002	508,177,735
LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, GUARANTEES AND OTHER OBLIGATIONS PER CONTRA		264,561,798	225,134,681	264,561,798
		778,795,024	550,667,683	772,739,533
LIABILITIES				
Current, savings, investment and other deposits of customers		410,224,204	241,355,187	410,224,204
Deposits from subsidiaries		10,624,796	–	–
Deposits and balances of banks		67,000	–	67,000
Bills payable		2,703,866	2,385,531	2,703,866
Other liabilities		9,523,619	3,662,652	9,655,089
		433,143,485	247,403,370	422,650,159
SHAREHOLDERS' FUNDS				
Share capital	7	79,900,000	79,900,000	79,900,000
Reserves	8	789,741	(1,770,368)	327,576
		80,689,741	78,129,632	80,227,576
MINORITY INTEREST		–	–	4,900,000
DEFERRED TAXATION	9	400,000	–	400,000
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS BEFORE CONTRA ITEMS		514,233,226	325,533,002	508,177,735
ACCEPTANCES, GUARANTEES AND OTHER OBLIGATIONS PER CONTRA		264,561,798	225,134,681	264,561,798
		778,795,024	550,667,683	772,739,533

The notes on pages 43 to 46 form an integral part of these accounts.

Balance Sheets

As At 30th June 1987

	Note	Group 1987	Group 1986	Bank 1987	Bank 1986
		$	$	$	$
ASSETS					
Cash and balances with bank and agents		10,933,496	16,448,771	10,927,725	16,447,235
Stock of commodities	1(m)	120,877,575	89,227,278	120,877,575	89,227,278
Financing and investment of customers	2	428,589,926	395,329,505	428,589,926	395,329,505
Bills receivable		1,161,363	1,323,477	1,161,363	1,323,477
Other assets	3	3,586,049	3,485,112	3,225,040	3,337,088
Statutory deposit with Bank Negara Malaysia		27,429,000	20,273,000	27,429,000	20,273,000
Investments	4	317,997,877	137,187,372	315,415,120	135,716,932
Investments in subsidiaries	5	—	—	8,125,000	6,125,000
Due from subsidiaries		—	—	13,694,926	11,735,066
Fixed assets	6	13,225,109	13,990,150	2,875,349	3,371,008
Intangible assets	7	96,702	193,403	—	—
TOTAL ASSETS BEFORE CONTRA ITEMS		923,897,097	677,458,068	932,321,024	682,885,589
LIABILITIES OF CUSTOMERS FOR ACCEPTANCES, GUARANTEES AND OTHER OBLIGATIONS PER CONTRA		290,701,498	184,937,706	290,701,498	184,937,706
		1,214,598,595	862,395,774	1,223,022,522	867,823,295

The notes on pages 50 to 57 form an integral part of these accounts.
Auditors' report on page 45.

	Note	Group 1987	Group 1986	Bank 1987	Bank 1986
		$	$	$	$
LIABILITIES					
Current, savings, investment and other deposits of customers		809,147,302	566,907,457	809,147,302	566,907,457
Deposits from subsidiaries		—	—	16,535,472	11,447,288
Taxation		2,912,042	1,612,042	2,900,000	1,600,000
Zakat payable		382,559	400,944	380,945	376,668
Bills payable		4,710,563	7,634,286	4,774,313	7,634,286
Other liabilities	8	13,538,320	11,695,081	11,965,243	11,144,859
Loan	9	1,000,000	1,000,000	—	—
		831,690,786	589,249,810	845,703,275	599,110,558
SHAREHOLDERS' FUNDS					
Share capital	10	79,900,000	79,900,000	79,900,000	79,900,000
Reserves	11	657,694	1,471,055	3,917,749	2,975,031
		80,557,694	81,371,055	83,817,749	82,875,031
TAKAFUL FUNDS					
Family Takaful Fund	12	1,609,990	575,284	—	—
General Takaful Fund	13	2,621,665	744,379	—	—
		4,231,655	1,319,663	—	—
MINORITY INTEREST		4,616,962	4,617,540	—	—
DEFERRED TAXATION	14	2,800,000	900,000	2,800,000	900,000
TOTAL LIABILITIES TAKAFUL AND SHAREHOLDERS' FUNDS BEFORE CONTRA ITEMS		923,897,097	677,458,068	932,321,024	682,885,589
ACCEPTANCES, GUARANTEES AND OTHER OBLIGATIONS PER CONTRA		290,701,498	184,937,706	290,701,498	184,937,706
		1,214,598,595	862,395,774	1,223,022,522	867,823,295

The notes on pages 50 to 57 form an integral part of these accounts.
Auditors' report on page 45.

BALANCE SHEET AS AT 30TH JUNE 1989

	Note	Group 1989 $'000	Group 1988 $'000	Bank 1989 $'000	Bank 1988 $'000
ASSETS					
Cash and balances with banks and agents		**15,621**	14,770	**15,602**	14,764
Stock of commodities	2(m)	**110,162**	29,504	**110,162**	29,504
Investments	3	**513,870**	437,826	**507,841**	432,452
Financing of customers	4	**670,989**	611,143	**666,056**	609,374
Bills receivable		**4,381**	2,057	**4,381**	2,057
Statutory reserve with Bank Negara Malaysia		**56,411**	35,799	**56,411**	35,799
Subsidiaries	5	-	-	-	2,475
Fixed assets	6	**10,923**	12,483	**2,265**	2,106
Other assets	7	**6,348**	6,075	**5,623**	5,424
TOTAL ASSETS		**1,388,705**	1,149,657	**1,368,341**	1,133,955
LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS					
LIABILITIES					
Deposit from customers	8	**1,229,205**	1,022,231	**1,229,205**	1,022,231
Deposits and balances of banks and agents		**29**	-	**29**	-
Bills payable		**11,680**	7,148	**11,680**	7,148
Other liabilities	9	**40,095**	23,805	**28,539**	18,826
Loan	10	**1,000**	1,000	-	-
Subsidiaries	5	-	-	**9,512**	-
		1,282,009	1,054,184	**1,278,965**	1,048,205
SHAREHOLDERS' FUNDS					
Share capital	11	**79,900**	79,900	**79,900**	79,900
Reserves	12	**4,780**	1,817	**9,476**	5,850
		84,680	81,717	**89,376**	85,750
TAKAFUL FUNDS					
Family Takaful Fund	13	**8,491**	3,568	-	-
General Takaful Fund	14	**8,090**	5,401	-	-
Group Family Takaful Fund	15	**220**	-	-	-
		16,801	8,969	-	-
MINORITY INTEREST		**5,215**	4,787	-	-
TOTAL LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS		**1,388,705**	1,149,657	**1,368,341**	1,133,955
COMMITMENTS AND CONTINGENCIES	23	**325,173**	109,719	**325,173**	109,719

The notes on pages 48 to 59 form an integral part of these accounts. Auditors' report on page 44.

BALANCE SHEET AS AT 30TH JUNE 1991

	Note	Group 1991 $'000	Group 1990 $'000	Bank 1991 $'000	Bank 1990 $'000
ASSETS					
Cash and balances with banks and agents		**24,725**	15,847	**24,604**	15,762
Stock of commodities	3(m)	**105,678**	92,430	**105,678**	92,430
Investments	4	**353,692**	391,007	**337,263**	379,069
Financing of customers	5	**808,152**	817,398	**789,307**	807,818
Bills receivable		**2,570**	3,704	**2,570**	3,704
Statutory deposit with Bank Negara Malaysia		**78,104**	84,577	**78,104**	84,577
Fixed assets	7	**11,383**	10,975	**4,388**	3,094
Other assets	8	**16,087**	9,989	**15,258**	9,797
TOTAL ASSETS		**1,400,391**	1,425,927	**1,357,172**	1,396,251
LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS					
LIABILITIES					
Deposits from customers	9	**1,175,139**	1,220,944	**1,175,139**	1,220,944
Deposits and balances of banks and agents		**363**	202	**363**	202
Bills payable		**13,896**	28,964	**13,896**	28,964
Other liabilities	10	**71,945**	55,572	**43,416**	36,306
Loan	11	**1,000**	1,000	-	-
Subsidiaries	6	-	-	**24,974**	17,439
		1,262,343	1,306,682	**1,257,788**	1,303,855
SHAREHOLDERS' FUNDS					
Share capital	12	**82,273**	80,097	**82,273**	80,097
Reserves	13	**16,303**	9,570	**17,111**	12,299
		98,576	89,667	**99,384**	92,396
TAKAFUL FUNDS					
Family Takaful Fund	14	**20,662**	14,395	-	-
General Takaful Fund	15	**11,812**	9,274	-	-
Group Family Takaful Fund	16	**811**	389	-	-
		33,285	24,058	-	-
MINORITY INTEREST		**6,187**	5,520	-	-
TOTAL LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS		**1,400,391**	1,425,927	**1,357,172**	1,396,251
COMMITMENTS AND CONTINGENCIES	25	**684,893**	296,532	**684,893**	296,532

The accompanying notes are an integral part of this balance sheet.

BALANCE SHEETS AS AT 30 JUNE 1993

	Note	Group		Bank	
		1993	1992	1993	1992
		RM 000	RM 000	RM 000	RM 000
ASSETS					
Cash and balances with banks and agents		**34,769**	27,703	**34,565**	27,645
Stock of commodities	3(m)	**37,347**	550	**37,347**	550
Investments	4	**754,421**	469,655	**658,919**	428,110
Financing of customers	5	**1,014,104**	1,031,185	**996,473**	1,012,185
Bills receivable		**11,554**	12,438	**11,554**	12,438
Statutory deposit with Bank Negara Malaysia		**122,128**	105,760	**122,128**	105,760
Fixed assets	6	**21,145**	15,591	**15,376**	8,670
Intangible assets	7	**398**	531	-	-
Other assets	8	**13,222**	12,798	**11,064**	12,481
Subsidiaries	12	-		**3,190**	-
TOTAL ASSETS		**2,009,088**	1,676,211	**1,890,616**	1,607,839
LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS					
LIABILITIES					
Deposits from customers	9	**1,611,682**	1,320,509	**1,611,682**	1,320,509
Deposits and balances of banks and agents		**490**	1,336	**490**	1,336
Bills payable		**23,398**	32,700	**23,398**	32,700
Other liabilities	10	**108,988**	85,899	**58,731**	47,363
Loan	11	**700**	800	-	-
Subsidiaries	12	-		-	20,097
		1,745,258	1,441,244	**1,694,301**	1,422,005
SHAREHOLDERS' FUNDS					
Share capital	13	**133,405**	133,405	**133,405**	133,405
Reserves	14	**68,717**	53,826	**62,910**	52,429
		202,122	187,231	**196,315**	185,834
TAKAFUL FUNDS					
Family Takaful Fund	15	**39,069**	28,953	-	
General Takaful Fund	16	**17,522**	11,342	-	
Group Family Takaful Fund	17	**1,577**	1,400	-	-
		58,168	41,695	-	-
MINORITY INTEREST		**3,540**	3,011	-	-
TOTAL LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS		**2,009,088**	1,676,211	**1,890,616**	1,607,839
COMMITMENTS AND CONTINGENCIES	25	**672,386**	957,071	**672,386**	957,071

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
AS AT 30 JUNE 1995

	Note	Group 1995 RM'000	Group 1994 RM'000	Bank 1995 RM'000	Bank 1994 RM'000
ASSETS					
Cash and balances with banks and agents		**60,801**	52,958	**56,743**	51,917
Deposits and placements with financial institutions	4	**73,604**	32,600	**73,604**	32,600
Stock of commodities	3(m)	**5,700**	4,098	**5,700**	4,098
Dealing securities	5	**171,161**	40,728	**162,323**	37,904
Investment securities	6	**1,276,231**	1,559,199	**1,147,961**	1,508,176
Financing of customers	7	**1,465,083**	1,005,803	**1,439,664**	976,989
Bills receivable		**6,956**	13,300	**6,956**	13,300
Statutory deposits with Bank Negara Malaysia	8	**312,819**	273,311	**312,819**	273,311
Fixed assets	9	**39,864**	38,661	**33,359**	32,603
Intangible assets	10	**1,515**	563	–	–
Other assets	11	**28,593**	25,089	**9,194**	17,894
TOTAL ASSETS		**3,442,327**	3,046,310	**3,248,323**	2,948,792
LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS					
LIABILITIES					
Deposits from customers	12	**2,865,963**	2,547,799	**2,865,963**	2,547,799
Deposits and placements of banks and other financial institutions	13	**3,768**	3,157	**3,768**	3,157
Bills payable		**26,296**	41,581	**26,296**	41,581
Other liabilities	14	**176,697**	146,681	**95,109**	69,965
Loan	15	**600**	700	–	–
Subsidiaries	16	–	–	**23,975**	74,006
		3,073,324	2,739,918	**3,015,111**	2,736,508
SHAREHOLDERS' FUNDS					
Share capital	17	**133,405**	133,405	**133,405**	133,405
Reserves	18	**113,606**	90,459	**99,807**	78,879
		247,011	223,864	**233,212**	212,284

The accompanying notes are an integral part of these balance sheets.

	Note	Group		Bank	
		1995	1994	1995	1994
		RM'000	RM'000	RM'000	RM'000
TAKAFUL FUNDS					
Family Takaful Fund	19	**73,337**	52,078	–	–
General Takaful Fund	20	**32,563**	20,211	–	–
Group Family Takaful Fund	21	**5,658**	3,114	–	–
		111,558	75,403	–	–
MINORITY INTEREST		**10,434**	7,125	–	–
TOTAL LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS		**3,442,327**	3,046,310	**3,248,323**	2,948,792
COMMITMENTS AND CONTINGENCIES	30	**1,623,262**	879,755	**1,623,262**	879,755

The accompanying notes are an integral part of these balance sheets.

Balance Sheets as at 30 June, 1997

	Note	Group 1997 RM'000	Group 1996 RM'000	Bank 1997 RM'000	Bank 1996 RM'000
ASSETS					
Cash and balances with banks and agents		**97,340**	105,865	**92,754**	103,920
Deposits and placements with financial institutions	4	**407,580**	248,975	**407,580**	248,975
Dealing securities	5	**818,174**	415,040	**766,547**	382,339
Investment securities	6	**378,375**	604,096	**171,763**	434,124
Financing of customers	7	**2,517,744**	2,035,172	**2,472,152**	2,000,840
Bills receivable		**22,951**	9,249	**22,951**	9,249
Statutory deposits with Bank Negara Malaysia	8	**444,981**	388,280	**444,981**	388,280
Statutory deposits with Accountant General Malaysia	9	**100**	-	-	-
Fixed assets	10	**77,133**	54,326	**33,907**	26,302
Intangible assets	11	**10,925**	1,087	-	-
Other assets	12	**78,376**	55,831	**19,363**	16,321
Subsidiaries	13	-	-	**8,168**	(894)
TOTAL ASSETS		**4,853,679**	3,917,921	**4,440,166**	3,609,456
LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS					
LIABILITIES					
Deposits from customers	14	**3,716,541**	3,196,281	**3,716,541**	3,196,281
Deposits and placements of banks and other financial institutions	15	**189,324**	5,233	**189,324**	5,233
Bills payable		**76,709**	62,615	**76,709**	62,615
Other liabilities	16	**190,598**	193,452	**75,333**	88,220
Loan	17	**300**	500	-	-
Irredeemable Subordinated Mudharabah	18	**100,000**	-	**100,000**	-
		4,273,472	3,458,081	**4,157,907**	3,352,349
SHAREHOLDERS' FUNDS					
Share capital	19	**133,405**	133,405	**133,405**	133,405
Reserves	20	**184,410**	145,930	**148,854**	123,702
		317,815	279,335	**282,259**	257,107

The accompanying notes are an integral part of these balance sheets.

Balance Sheets as at 30 June, 1997 (Cont')

	Note	Group 1997 RM'000	Group 1996 RM'000	Bank 1997 RM'000	Bank 1996 RM'000
TAKAFUL FUNDS					
Family Takaful Fund	21	**168,475**	114,401	-	-
General Takaful Fund	22	**48,382**	41,034	-	-
Group Family Takaful Fund	23	**11,175**	7,973	-	-
		228,032	163,408	-	-
MINORITY INTERESTS		**34,360**	17,097	-	-
TOTAL LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS		**4,853,679**	3,917,921	**4,440,166**	3,609,456
COMMITMENTS AND CONTINGENCIES	31	**1,833,206**	1,997,718	**1,833,206**	1,997,718

The accompanying notes are an integral part of these balance sheets.

	Note	Group 1998 RM'000	Group 1997 RM'000	Company 1998 RM'000
ASSETS				
Cash and balances with banks and agents		185,637	97,340	-
Deposits and placements with financial institutions	4	366,670	407,580	-
Dealing securities	5	363,057	245,491	-
Investment securities	6	810,063	951,058	-
Financing of customers	7	3,330,190	2,515,675	-
Bills receivable		19,667	22,951	-
Statutory deposit with Bank Negara Malaysia	8	311,197	444,981	-
Statutory deposit with Accountant General Malaysia	9	100	100	-
Fixed assets	10	171,392	77,133	-
Intangible assets	11	17,688	10,925	-
Other assets	12	112,832	80,445	-
Subsidiaries	13	-	-	1,175,229
TOTAL ASSETS		5,688,493	4,853,679	1,175,229
LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS				
LIABILITIES				
Deposits from customers	14	3,495,290	3,716,541	-
Deposits and placements of banks and other financial institutions	15	101,793	189,324	-
Bills payable		38,836	76,709	-
Other liabilities	16	276,719	190,598	5,676
Loan	17	208,300	300	-
Irredeemable Subordinated Mudharabah	18	-	100,000	-
		4,120,938	4,273,472	5,676

	Note	Group 1998 RM'000	Group 1997 RM'000	Company 1998 RM'000
SHAREHOLDERS' FUNDS				
Share capital	19	560,301	133,405	560,301
Reserves	20	731,639	184,410	609,252
		1,291,940	317,815	1,169,553
TAKAFUL FUNDS				
Family Takaful Fund	21	202,837	168,475	-
General Takaful Fund	22	29,505	48,382	-
Group Family Takaful Fund	23	13,517	11,175	-
General Retakaful Fund	24	9	-	-
ASEAN Takaful Group Retakaful Pool	25	333	-	-
Family Retakaful Fund	26	9	-	-
		246,210	228,032	-
MINORITY INTERESTS		29,405	34,360	-
TOTAL LIABILITIES, SHAREHOLDERS' FUNDS AND TAKAFUL FUNDS		5,688,493	4,853,679	1,175,229
COMMITMENTS AND CONTINGENCIES	34	2,250,818	1,833,206	-

The accompanying notes are an integral part of these balance sheets.

Profit And Loss Account For The Year Ended 30th June, 1985

	Note	The Bank 1985 $	The Bank 1984 $	The Group 1985 $
Profit/(loss) for the year		4,374,925	(1,286,821)	4,032,387
After charging/(crediting):				
Directors' fees		37,000	36,000	37,000
Directors' other emoluments		148,000	140,000	148,000
Syariah Supervisory Council Members' fees		35,200	35,200	35,200
Depreciation		234,286	399,196	1,073,821
Amortisation of intangible assets		364,714	217,132	364,714
Auditors' remuneration:				
Annual audit		30,700	30,000	33,200
Six months audit		23,000	–	23,000
Office rental		1,378,129	1,084,125	1,378,129
Lease rental		1,192,780	–	–
(Profit)/loss on disposal of fixed assets		(183,458)	547	–
Zakat		(414,816)	(483,547)	(435,443)
Taxation	10	(1,400,000)	–	(1,499,000)
		2,560,109	(1,770,368)	2,097,944
Transfer to reserve fund		(641,000)	–	(641,000)
		1,919,109	(1,770,368)	1,456,944
Accumulated loss brought forward		(1,770,368)	–	(1,770,368)
Retained profit/(accumulated losses) carried forward		148,741	(1,770,368)	(313,424)

The notes on pages 43 to 46 form an integral part of these accounts.
Auditors' report on page 39

Profit And Loss Account

Year Ended 30th June 1987

	Note	Group 1987	Group 1986	Bank 1987	Bank 1986
		$	$	$	$
Operating revenue	15	62,677,861	49,357,800	62,565,431	50,135,338
Profit before zakat and taxation	16	3,979,870	2,361,963	4,523,663	3,661,958
Zakat	1 (o)	(382,559)	(400,944)	(380,945)	(376,668)
Taxation	17	(3,200,000)	(1,100,000)	(3,200,000)	(1,100,000)
Profit after zakat and taxation before minority interest and extraordinary item		397,311	861,019	942,718	2,185,290
Minority interest		578	282,460	—	—
Profit after zakat, taxation and minority interest but before extraordinary item		397,889	1,143,479	942,718	2,185,290
Extraordinary item	18	(1,211,250)	—	—	—
(Loss)/profit after zakat, taxation, minority interest and extraordinary item		(813,361)	1,143,479	942,718	2,185,290
Transfer to reserve fund	11	(450,000)	(800,000)	(450,000)	(800,000)
(Loss)/profit after zakat, taxation, minority interest, extraordinary item and transfer to reserve fund		(1,263,361)	343,479	492,718	1,385,290
Retained profits/(accumulated losses) brought forward		30,055	(313,424)	1,534,031	148,741
(Accumulated losses)/retained profits carried forward		(1,233,306)	30,055	2,026,749	1,534,031

The notes on pages 50 to 57 form an integral part of these accounts.
Auditors' report on page 45.

PROFIT AND LOSS ACCOUNT YEAR ENDED 30TH JUNE 1989

	Note	Group		Bank	
		1989	1988	**1989**	1988
		$'000	$'000	**$'000**	$'000
Income	16	**49,491**	39,236	**43,412**	36,634
Expenditure	17	**37,851**	32,778	**33,441**	30,447
Profit before zakat and taxation		**11,640**	6,458	**9,971**	6,187
Zakat		**(477)**	(365)	**(467)**	(358)
Taxation	18	**(6,214)**	(3,725)	**(4,320)**	(2,858)
Profit after zakat and taxation but before minority interest		**4,949**	2,368	**5,184**	2,971
Minority interest		**(428)**	(170)	**-**	-
Profit after zakat, taxation and minority interest		**4,521**	2,198	**5,184**	2,971
Transfer to reserve fund	12	**(2,592)**	(1,490)	**(2,592)**	(1,490)
		1,929	708	**2,592**	1,481
Proposed dividend of 3% (1988 : 2%) less 35% tax		**(1,558)**	(1,039)	**(1,558)**	(1,039)
		371	(331)	**1,034**	442
(Accumulated losses)/retained profits brought forward		**(1,564)**	(1,233)	**2,469**	2,027
(Accumulated losses)/retained profits carried forward	12	**(1,193)**	(1,564)	**3,503**	2,469
Earnings per share	22	**6.3 cent**	3.2 cent		

The notes on pages 48 to 59 form an integral part of these accounts. Auditors' report on page 44.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 1991

	Note	Group		Bank	
		1991	1990	**1991**	1990
		$'000	$'000	**$'000**	$'000
Income	17	**62,177**	55,834	**48,200**	46,648
Expenditure	18	**(44,340)**	(40,112)	**(34,100)**	(33,253)
Profit before zakat and taxation		**17,837**	15,722	**14,100**	13,395
Zakat		**(784)**	(523)	**(663)**	(449)
Taxation	19	**(6,961)**	(7,935)	**(5,060)**	(6,050)
Profit after zakat and taxation but before minority interest		**10,092**	7,264	**8,377**	6,896
Minority interest		**(794)**	(401)	**-**	-
Profit after zakat, taxation and minority interest but before extraordinary item		**9,298**	6,863	**8,377**	6,896
Extraordinary item	20	**-**	-	**(1,000)**	(2,000)
Profit after extraordinary item		**9,298**	6,863	**7,377**	4,896
Transfer to reserve fund	13	**(3,688)**	(2,448)	**(3,688)**	(2,448)
		5,610	4,415	**3,689**	2,448
Proposed dividend of 5% (1990 : 4%) less 35% tax		**(2,674)**	(2,082)	**(2,674)**	(2,082)
		2,936	2,333	**1,015**	366
Retained profit/(accumulated losses) brought forward		**1,140**	(1,193)	**3,869**	3,503
Retained profit carried forward	13	**4,076**	1,140	**4,884**	3,869
Earnings per share	24	**11.5 sen**	8.6 sen		

The accompanying notes are an integral part of this account.

PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1993

	Note	Group		Bank	
		1993	1992	**1993**	1992
		RM '000	RM '000	**RM '000**	RM '000
Income	18	**84,287**	63,386	**71,141**	55,747
Expenditure	19	**(48,628)**	(42,683)	**(44,290)**	(39,697)
Profit before zakat and taxation		**35,659**	20,703	**26,851**	16,050
Zakat		**(916)**	(829)	**(662)**	(662)
Taxation	20	**(12,259)**	(7,896)	**(8,664)**	(6,243)
Profit after zakat and taxation but before minority interest		**22,484**	11,978	**17,525**	9,145
Minority interest		**(549)**	(628)	**-**	-
Profit after zakat, taxation and minority interest		**21,935**	11,350	**17,525**	9,145
Transfer to reserve fund	14	**(8,763)**	(4,573)	**(8,763)**	(4,573)
		13,172	6,777	**8,762**	4,572
Proposed dividend of 8 % (1992: 6 %) less 34% tax		**(7,044)**	(5,203)	**(7,044)**	(5,203)
		6,128	1,574	**1,718**	(631)
Retained profits brought forward		**5,650**	4,076	**4,253**	4,884
Retained profits carried forward	14	**11,778**	5,650	**5,971**	4,253
Earnings per share	24	**16.4 sen**	10.4 sen		

The accompanying notes are an integral part of these accounts.

بيڠك إسلام مليسيا برحد

BANK ISLAM MALAYSIA BERHAD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 1995

	Note	Group 1995 RM'000	Group 1994 RM'000	Bank 1995 RM'000	Bank 1994 RM'000
Income	22	**136,844**	108,151	**111,636**	93,596
Expenditure	23	**(77,681)**	(65,727)	**(69,141)**	(61,601)
Profit before zakat and taxation		**59,163**	42,424	**42,495**	31,995
Zakat		**(1,160)**	(956)	**(662)**	(662)
Taxation	24	**(22,926)**	(10,909)	**(15,500)**	(7,200)
Profit after zakat and taxation but before minority interest		**35,077**	30,559	**26,333**	24,133
Minority interest		**(340)**	(653)	–	–
Profit after zakat, taxation and minority interest		**34,737**	29,906	**26,333**	24,133
Extraordinary item	25	**(3,185)**	–	**3000**	–
		31,552	29,906	**29,333**	24,133
Transfer to reserve fund	18	**(14,667)**	(12,067)	**(14,667)**	(12,067)
		16,885	17,839	**14,666**	12,066
Proposed dividend of 9% (1994: 9%) less 30% (1994: 32%) tax		**(8,405)**	(8,164)	**(8,405)**	(8,164)
		8,480	9,675	**6,261**	3,902
Retained profits brought forward		**21,453**	11,778	**9,873**	5,971
Retained profits carried forward	18	**29,933**	21,453	**16,134**	9,873
Earnings per share	29	**26.0 sen**	22.4 sen		

The accompanying notes are an integral part of these accounts.

Profit and Loss Accounts for The Year Ended 30 June, 1997

	Note	Group 1997 RM'000	Group 1996 RM'000	Bank 1997 RM'000	Bank 1996 RM'000
Income	24	**179,359**	154,087	**138,131**	120,924
Expenditure	25	**(112,384)**	(97,252)	**(90,780)**	(83,233)
Profit before zakat and taxation		**66,975**	56,835	**47,351**	37,691
Zakat		**(1,791)**	(1,080)	**(894)**	(662)
Taxation	26	**(20,410)**	(22,483)	**(12,900)**	(16,521)
Profit after zakat and taxation but before minority interests		**44,774**	33,272	**33,557**	20,508
Minority interests		**(4,474)**	(1,968)	**-**	-
Profit after zakat, taxation and minority interests		**40,300**	31,304	**33,557**	20,508
Extraordinary item		**-**	10,447	**-**	11,792
		40,300	41,751	**33,557**	32,300
Capitalisation for bonus issue		**-**	(9,020)	**-**	-
Transfer to reserve fund	20	**(8,575)**	(16,356)	**(8,400)**	(16,150)
		31,725	16,375	**25,157**	16,150
Proposed dividend of 9% (1996 : 9%) less 30% tax		**(8,405)**	(8,405)	**(8,405)**	(8,405)
		23,320	7,970	**16,752**	7,745
Retained profits brought forward		**37,903**	29,933	**23,879**	16,134
		61,223	37,903	**40,631**	23,879
Accretion arising from issue of shares by a subsidiary		**6,585**	-	**-**	-
Retained profits carried forward	20	**67,808**	37,903	**40,631**	23,879
Earnings per share	30	**30.2 sen**	23.5 sen		

The accompanying notes are an integral part of these accounts.

	Note	Group 1998 RM'000	Group 1997 RM'000	Company 20.3.97 to 30.6.98 RM'000
Income	27	252,447	179,359	30,648
Expenditure	28	(229,102)	(112,384)	(32)
Profit before zakat and taxation		23,345	66,975	30,616
Zakat		(1,611)	(1,791)	(199)
Taxation	29	(17,466)	(20,410)	(5,470)
Profit after zakat and taxation but before minority interests		4,268	44,774	24,947
Minority interests		4,757	(4,474)	-
Profit after zakat, taxation and minority interests		9,025	40,300	24,947
Transfer to reserve fund	20	(509)	(8,575)	-
		8,516	31,725	24,947
Retained profits brought forward		67,808	37,903	-
		76,324	69,628	24,947
Interim dividend of 2.25% (1997: 9%) less 30% taxation		(8,825)	(8,405)	(8,825)
		67,499	61,223	16,122
Accretion arising from issue of shares by subsidiaries		299	6,585	-
Retained profits carried forward	20	67,798	67,808	16,122
Earnings per share	33	2.0 sen	21.6 sen	

The accompanying notes are an integral part of these accounts.